

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BRUCE WILLIAM STANSBURY	)	
	)	
COMPLAINANT	)	
	)	
V.	)	CASE NO. 2008-00277
	)	
SHELBY ENERGY COOPERATIVE, INC.	)	
	)	
DEFENDANT	)	

ORDER TO SATISFY OR ANSWER

Shelby Energy Cooperative, Inc. ("Shelby Energy") is hereby notified that it has been named as defendant in a formal complaint filed on August 20, 2008, a copy of which is attached hereto as Appendix A.

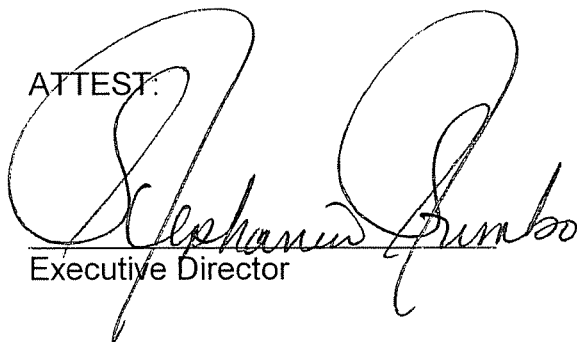
Pursuant to 807 KAR 5:001, Section 12, Shelby Energy is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within 10 days from the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

Done at Frankfort, Kentucky, this 27th day of August, 2008.

By the Commission

ATTEST:

  
Executive Director

## APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2008-00277 DATED AUGUST 27, 2008

RECEIVED

AUG 20 2008

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BRUCE WILLIAM STANSBURY	)	
	)	
COMPLAINANT	)	
	)	
V	)	CASE NO. 2008-00277
	)	
SHELBY ENERGY COOPERATIVE, INC	)	
620 Old Finchville Rd.	)	
Shelbyville, Kentucky 40065	)	
	)	
DEFENDANT	)	
	)	

AMENDED COMPLAINT

Comes now Complainant Bruce William Stansbury ("Stansbury"), by counsel, for his Complaint against Shelby Energy Cooperative, Inc. ("Shelby Energy"), states as follows:

1. Stansbury is a resident of Shelby County, Kentucky, and is a member and customer of Shelby Energy.
2. Shelby Energy is a non-profit corporation licensed to do business in the state of Kentucky and doing business primarily in Shelby, Henry and Trimble County, Kentucky as an electric utility.
3. The Public Service Commission ("PSC") has jurisdiction over Shelby Energy.

4 Stansbury makes this Amended Complaint pursuant to an Order of the PSC dated July 29, 2008 and served upon Stansbury on July 31, 2008

5 Stansbury re-alleges the charges in his original Complaint, attached as Exhibit A.

6 Additionally, Stansbury alleges the following facts, acts, omissions and violations of law, regulations and procedures that harm consumers and justify and compel a complete management audit of Shelby Energy by the PSC

7 Shelby Energy, intentionally and/or negligently, miscalculated fuel adjustment costs in July 2007. See Exhibit B. This improper calculation led to a fuel adjustment cost greatly exceeding the allowable rate as defined and approved by PSC Case No. 2006-00524 and KRS 278.455(2). The fuel adjustment cost for July 2007 was much higher than any other month and resulted in extremely large and unexpected bills for Shelby Energy customers

8. Upon information and belief, the improper fuel adjustment cost pass-through was done in a manner to benefit Shelby Energy and improperly inflate Shelby Energy profits.

9. Upon information and belief, Shelby Energy passed through a higher fuel-adjustment cost than it actually paid, in violation of Kentucky law

10. Shelby Energy failed to pass through the Fuel Adjustment Cost and Basic Rate increase for the months of August 2007 through December 2007, resulting in a potential harm to the consumer by losing preferred tier profitability status from the United States Department of Agriculture's Rural Utilities Service loan program, among other benefits of a profitable energy company.

11. Shelby Energy, pursuant to permission by the PSC, adjusted customers bills for the February 2008 – June 2008 billing cycles

12. Shelby Energy *improperly and retroactively* accounted for the under-billed adjustment in its November and December 2007 accounting period. See Exhibit C

13. Upon information and belief, Shelby Energy counted under-billed proceeds as they accrued, effectively double-counting income and overstating profits.

14. Upon information and belief, Shelby Energy collected more from under-billed fuel adjustment costs from February 2008 through June 2008 than Shelby Energy lost from August 2007 to December 2007

15. Shelby Energy refused to communicate with its customers to clearly explain the *purpose and legality* of the under-billed adjustment and took affirmative steps to prevent customers from exercising their legal rights under KRS 278.260 to communicate with or complain to the PSC regarding rates. See Exhibit D.

16. The mismanagement demonstrated by Shelby Energy has financially damaged consumers through higher utility costs than legally allowed, eliminating predictability and increasing variance in monthly energy bills through numerous adjustments, impairing Shelby Energy's credit rating and ability to borrow money through improper filings with and misrepresentations to the Rural Utilities Service, and other financial damages that can only be discovered through a management audit.

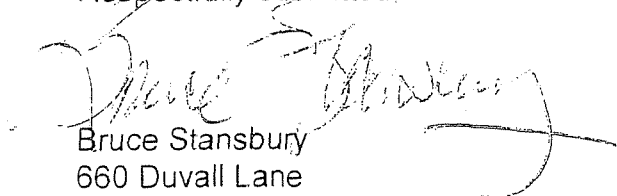
17. A large turn-over in Shelby Energy employees has created billing errors and improperly read meters that have put a tremendous burden on businesses to pay upon discovery of those errors, including higher costs for all members for overlooked billing errors.

18. A large turn-over in employees has increased the cost in training, operation and restoration of service of the utility, increasing potential harm to employees and members due to lack of training and experience.

19. Stansbury reserves the right to supplement or amend this Complaint as additional information is gathered.

Wherefore Stansbury requests a management audit of Shelby Energy's practices, policies, billing and payments and a review of all hiring and termination of Shelby Energy employees for the last 7 years to determine if hiring practices have irrevocably impaired the ability of Shelby Energy to remain a profitable company benefiting Kentucky consumers.

Respectfully submitted,

  
Bruce Stansbury  
660 Duvall Lane  
Finchville, Kentucky 40022

Prepared by:

BAHE COOK CANTLEY & JONES, PLC  
Vanessa Cantley  
Jasper Ward  
239 S. Fifth Street  
Suite 700  
Louisville, Kentucky 40202

# **EXHIBIT A**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

BRUCE WILLIAM STANSBURY )  
(Your Full Name) )

COMPLAINANT )

VS. )

SHELBY ENERGY COOP. )  
(Name of Utility) )

DEFENDANT )

COMPLAINT

The complaint of BRUCE WILLIAM STANSBURY respectfully shows:  
(Your Full Name)

(a) BRUCE WILLIAM STANSBURY  
(Your Full Name)

1640 DUVALL LANE FINCHVILLE KY 40022  
(Your Address)

(b) SHELBY ENERGY COOP  
(Name of Utility)

1620 OLD FINCHVILLE KY SHELBYVILLE KY 40065  
(Address of Utility)

(c) That: GROSS MISMANAGEMENT OF "BASE  
(Describe here, attaching additional sheets if necessary,

RATE CORRECTION" CHARGES AND OF THE  
the specific act, fully and clearly, or facts that are the reason

FUEL ADJUSTMENT CHARGES. FORMER  
and basis for the complaint)

CEO DUDLEY BOTTOM CONTINUES TO  
BE PAID - WHY?

Continued on Next Page



Formal Complaint

BRUCE W STANBURY vs. SHELBY ENERGY

Page 2 of 2

- ① INCOMPENT PEOPLE IN MANAGEMENT  
POSITIONS
- ② REQUEST AN AUDIT OF ALL PRACTICES

Wherefore, complainant asks ① AUDIT OF ALL PRACTICES,  
(Specifically state the relief desired.)

- POLICIES, BILLING AND PAYMENTS
- ② HIRING & TERMINATION OF PERSONAL  
OVER THE LAST 7 YEARS

Dated at FINCHVILLE, Kentucky, this 7<sup>TH</sup> day  
(Your City)

of JULY, 2008  
(Month)

Bruce W Stanbury  
(Your Signature)

(Name and address of attorney, if any)

# **EXHIBIT B**

\* Rate Change

	SYL		SYL		SYL		SYL
Jan-01	0.00064	Jan-04	0.00063	Jan-07	0.00179	Jan-10	
Feb-01	0.00217	Feb-04	0.00350	Feb-07	0.00302	Feb-10	
Mar-01	0.00748	Mar-04	0.00354	Mar-07	0.00656	Mar-10	
Apr-01	0.00332	Apr-04	0.00652	Apr-07	0.00729	Apr-10	
May-01	0.00216	May-04	0.00477	May-07	0.01634	May-10	
Jun-01	0.00072	Jun-04	0.00624	Jun-07	0.01020	Jun-10	
Jul-01	0.00143	Jul-04	0.00445	Jul-07	0.02085	Jul-10	
Aug-01	0.00002	Aug-04	0.00255	Aug-07	0.00410	Aug-10	
Sep-01	0.00153	Sep-04	0.00514	Sep-07	0.00712	Sep-10	
Oct-01	0.00255	Oct-04	0.00504	Oct-07	-0.00075	Oct-10	
Nov-01	0.00458	Nov-04	0.00737	Nov-07	0.01000	Nov-10	
Dec-01	0.00462	Dec-04	0.00630	Dec-07	0.00197	Dec-10	
Jan-02	-0.00138	Jan-05	0.00546	Jan-08	0.00308	Jan-11	
Feb-02	0.00210	Feb-05	0.00763	Feb-08	0.00040	Feb-11	
Mar-02	0.00202	Mar-05	0.01164	Mar-08	0.00607	Mar-11	
Apr-02	0.00177	Apr-05	0.01332	Apr-08	0.00613	Apr-11	
May-02	0.00176	May-05	0.00951	May-08	0.00673	May-11	
Jun-02	0.00220	Jun-05	0.00875	Jun-08		Jun-11	
Jul-02	0.00187	Jul-05	0.00947	Jul-08		Jul-11	
Aug-02	0.00075	Aug-05	0.00079	Aug-08		Aug-11	
Sep-02	0.00092	Sep-05	0.00353	Sep-08		Sep-11	
Oct-02	0.00184	Oct-05	0.00561	Oct-08		Oct-11	
Nov-02	0.00210	Nov-05	0.01192	Nov-08		Nov-11	
Dec-02	0.00282	Dec-05	0.01028	Dec-08		Dec-11	
Jan-03	0.00173	Jan-06	0.01005	Jan-09		Jan-12	
Feb-03	0.00086	Feb-06	0.00340	Feb-09		Feb-12	
Mar-03	0.00087	Mar-06	0.01171	Mar-09		Mar-12	
Apr-03	0.00652	Apr-06	0.00844	Apr-09		Apr-12	
May-03	0.00480	May-06	0.00774	May-09		May-12	
Jun-03	0.00403	Jun-06	0.00742	Jun-09		Jun-12	
Jul-03	0.00219	Jul-06	0.00726	Jul-09		Jul-12	
Aug-03	0.00025	Aug-06	0.00558	Aug-09		Aug-12	
Sep-03	-0.00200	Sep-06	0.00382	Sep-09		Sep-12	
Oct-03	0.00120	Oct-06	0.00519	Oct-09		Oct-12	
Nov-03	-0.00056	Nov-06	0.00874	Nov-09		Nov-12	
Dec-03	0.00305	Dec-06	0.00885	Dec-09		Dec-12	

\*\*\* STARTING JAN, 2006 FUEL COST CHANGES WITH CYCLE 2

# **EXHIBIT C**

# STATEMENT OF OPERATIONS

MONTH	MARGINS 2006	TIER 2006	MARGINS 2007	TIER 2007
JANUARY	\$175,854.25	2.724	(\$67,275.84)	0.540
FEBRUARY	\$70,194.82	1.348	(\$17,703.38)	0.938
MARCH	\$183,081.31	1.420	(\$214,827.39)	0.503
APRIL	\$492,567.25	1.870	(\$231,238.01)	0.601
MAY	\$401,750.06	1.553	(\$446,642.57)	0.379
JUNE	\$202,941.44	1.235	(\$248,498.63)	0.707
JULY	<b>\$153,076.67</b>	<b>1.153</b>	<b>\$352,588.38</b>	<b>1.355</b>
AUGUST	\$229,809.56	1.199	\$359,743.83	1.318
SEPTEMBER	\$318,653.24	1.243	\$225,368.73	1.177
OCTOBER	\$132,062.16	1.091	(\$150,585.25)	0.894
NOVEMBER	<b>\$445,504.02</b>	<b>1.279</b>	<b>841.07.52</b>	<b>1.542</b>
DECEMBER	\$982,838.12	1.563	\$100,642.46	1.645

11  
 \$ 918,751 ADDED TO  
 TO  
 DUE COLLECTED,  
 NOT COLLECTED  
 BOOKS  
 142.00  
 ADTS DEC  
 EVEN COPIES

# **EXHIBIT D**



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**From:** farrah


**Sent:** Monday, March 24, 2008 4:58 PM

**To:** candi; shelley; Pam; Becky; nancy; Nan

**Subject:** Base Rate Corrections

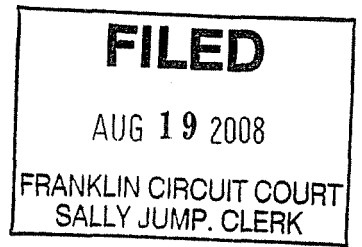
We do not want to offer or give out PSC's phone number. If they insist on getting the number Becky or I will give them the number.

Thanks,  
Farrah



COMMONWEALTH OF KENTUCKY  
FRANKLIN CIRCUIT COURT  
DIVISION II

CIVIL ACTION NO. 08-CI-01043



GEOFFREY M. YOUNG

PLAINTIFF

vs.

ERRATA TO DEFENDANT'S RESPONSE TO  
PLAINTIFF'S MOTION TO STRIKE

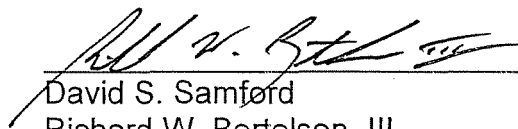
KENTUCKY PUBLIC SERVICE COMMISSION

DEFENDANT

\*\*\*\*\*

The Kentucky Public Service Commission ("Commission") hereby files this errata to the document filed by the Commission previously today, August 19, 2008, entitled "Defendant's Reply to Plaintiff's Response to Motion to Dismiss." The title of that document should be "Defendant's Response to Plaintiff's Motion to Strike."

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "David S. Samford", written over a horizontal line.

David S. Samford  
Richard W. Bertelson, III  
Kentucky Public Service Commission  
Post Office Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

*Counsel for Kentucky Public Service Commission*



CERTIFICATE OF SERVICE

I hereby certify that the foregoing Errata was served upon the parties herein by mailing a true copy hereof, by United States mail, postage prepaid, to Geoffrey M. Young, 454 Kimberly Place, Lexington, KY 40503, this 19th day of August 2008.

  
Richard W. Bertelson, III